

# AMP Capital Corporate Bond

## Quarterly Investment Option Update

31 March 2020

### Aim and Strategy

To deliver to investors regular monthly income (which exceeds the income from term deposits and government bonds) whilst seeking to provide capital stability to investors over the medium term. The portfolio also seeks provide total returns (primarily income with some capital growth) above the Bloomberg AusBond Bank Bill Index over a rolling three-year basis. The option invests in an actively managed portfolio of corporate bonds , primarily on investment grade rated corporate bonds in the Australian market and also has exposure to global bond markets. Exposure to global credit securities will principally be hedged back to Australian dollars.

### Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au)

### Investment Option Overview

<b>Investment category</b>	Australian Fixed Interest
<b>Suggested minimum investment timeframe</b>	3 years
<b>Relative risk rating</b>	Low to Medium
<b>Investment style</b>	Active
<b>Manager style</b>	Single

Asset Allocation	Benchmark (%)
Australian Fixed Interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	5.58
Australian Fixed Interest	89.93
Cash	4.49

Sector Allocation	%
Investment Grade Corporate	81.47
Agency MBS	10.32
Cash	4.49
High-Yield Corporate	4.11
ABS (Non-Mortgage)	1.26

Top Holdings	%
Australia & New Zealand Banking Group Ltd	3.50
Westpac Banking Corp	3.08
National Australia Bank Ltd	2.89
VOLKSWAGEN FIN SERV AUST	2.26
BPCE SA	2.12
Sumitomo Mitsui Financial Grou	2.11
BANK OF MONTREAL	2.07
Banco Santander SA	1.94
Qantas Airways Ltd	1.88
Commonwealth Bank of Australia	1.79

Quality Allocation	%
BBB	40.46
A	32.44
AAA	12.36
AA	7.79
Cash	4.49
BB	3.31
CCC	0.80

## Fund Performance

The Fund produced a negative return (before fees) in the March quarter amid somewhat chaotic markets as the COVID-19 crisis played out.

A significant move wider in credit spreads on the back of the COVID-19 pandemic impacted the Fund's performance during the quarter, though there was a positive contribution from the Fund's underlying income. Interest rate management also helped to offset some of the underperformance, as the Australian yield curve shifted lower over the quarter.

At a sector level, holdings in materials and diversified financials were the main detractors. Meanwhile, holdings in covered bonds, consumer staples and insurance contributed positively. At a security level, holdings in BHP Billiton, Intel Corp and National Australia Bank were the main detractors.

## Portfolio Positioning

Amid the current climate, we remain very selective on the Fund's holdings, as we expect high levels of volatility to continue. Through our investment and portfolio construction processes, we are looking to take advantage of any opportunities that arise in a way that maintains a solid level of yield, whilst maintaining a focus on quality. We prefer credit-issuers with strong operating cash flows, sound liquidity profiles and an ability to maintain their credit ratings through the cycle. We believe our portfolio is well-positioned for the current pandemic to play out, with the majority of our holdings already being of high quality and having debt maturities we believe can easily be met.

## Market Review

Australian government bond yields moved lower in January against the backdrop of a softening in domestic economic momentum over the preceding months. Yields subsequently exhibited heightened volatility over the remainder of the March quarter as a sharp fall in response to the deepening impact of the COVID-19 crisis gave way to an upward spike amid fears of a liquidity crunch. The RBA addressed the issue of market liquidity by cutting the cash rate by 0.25%, setting a 0.25% yield target for Commonwealth 3-year bonds, and providing funding for domestic banks. The Commonwealth Government 10-year bond yield declined by 61 basis points over the quarter to 0.76%, while the Commonwealth Government 2-year bond yield ended 67 basis points lower at 0.25%.

## Outlook

Against the backdrop of the liquidity and pricing dislocation caused by the economic and financial market impact of COVID-19, the Reserve Bank of Australia (RBA) has acted decisively to lower the cash rate, purchase bonds and provide low cost funding for banks. The RBA's actions will undoubtedly help the Australian economy and the banking sector to weather the storm, but they will take their time to play out.

## Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1289AU
AMP Flexible Super - Retirement account	AMP1322AU
AMP Flexible Super - Super account	AMP1452AU
CustomSuper	AMP1289AU
Flexible Lifetime - Allocated Pension	AMP1296AU
Flexible Lifetime - Investments (Series 2)	AMP2037AU
SignatureSuper	AMP1303AU
SignatureSuper - Allocated Pension	AMP1310AU
SignatureSuper Select	AMP1303AU

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